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1966

ANNUAL  
REPORT



AUTO  
ELECTRIC  
SERVICE  
COMPANY,  
LIMITED





# AUTO ELECTRIC SERVICE COMPANY, LIMITED

1000 LAWRENCE AVE. WEST

EST. 1918

TORONTO, ONTARIO

## DIRECTORS

GEORGE J. BEATTIE\*

W. BLAKE DODDS

H. C. BRINDLE

L. P. CHALMERS

A. A. KERR

C. E. MCTAVISH

ALEX GRAY

## OFFICERS

*Chairman of the Board* - - GEORGE J. BEATTIE\*      *President* - - - - - H. C. BRINDLE  
*Vice-President, Finance and Secretary* - - - - A. A. KERR

## WHOLLY-OWNED SUBSIDIARIES

AUTO ELECTRIC SERVICE (PACIFIC) LIMITED - - - - - Vancouver, Kamloops, Nelson  
and Penticton, British Columbia  
AUTO ELECTRIC SERVICE (VICTORIA) LIMITED - - - - - Victoria, British Columbia  
AUTO ELECTRIC SERVICE (WESTERN) LIMITED - - - Winnipeg and Dauphin, Manitoba  
AUTOLEC SERVICES (QUEBEC) LIMITED - - - - - Montreal, Quebec  
CANADIAN AVIATION PRODUCTS, LIMITED - - - - - Toronto, Ontario  
AUTOLEC SERVICES (ONTARIO) 1963, LIMITED  
Harris Auto Electric Division - - - - - Barrie, Ontario  
Cliff Towle Auto Electric Division - - - - - Peterborough, Ontario  
North Bay Auto Electric Division - - - - - North Bay, Ontario  
Yuill & Craig Auto Electric Division - - - - - Sudbury, Ontario  
Westway Auto Electric Division - - - - - Brampton, Ontario  
Kitchener Auto Electric Limited - - - - - Kitchener, Ontario

## TRANSFER AGENTS AND REGISTRARS

NATIONAL TRUST COMPANY, LIMITED - - - - - Toronto

## SOLICITORS

FRASER, BEATTY, TUCKER, MCINTOSH & STEWART - - - - - Toronto

## BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE - - Toronto, Barrie, Kitchener, Peterborough,  
North Bay, Sudbury, Winnipeg, Vancouver and Victoria

## AUDITORS

CAMPBELL, LAWLESS AND PUNCHARD - - - - - Toronto

\*DECEASED



# *Annual Report of the Directors*

## TO THE SHAREHOLDERS:

Your directors submit the Annual Report of the Company, together with the Consolidated Balance Sheet as at December 31st, 1966, the related Consolidated Statements of Profit and Loss and Earned Surplus with comparative figures for the previous year, and a Statement of the Source and Application of Funds.

Consolidated sales of the Company and its subsidiaries for the year 1966 were \$11,125,495 and represent an increase in volume over the previous year of \$412,259, approximately 4%. While this increase is moderate, and in consideration of some loss of sales through the consolidation of activity in Toronto, it reflects a continuing trend of sales increase.

Gross profit margins have again improved over the previous year resulting from a larger ratio of high profit sales in the sales mix and a lowering of basic costs on certain of the products sold.

Operating costs in 1966 were higher, but profits before Income Tax increased over the previous year by \$72,521, equal to approximately 24%.

The provision for Income Tax of \$208,818 should be qualified for the following reasons. Prior to 1966, the anniversary date of the Company's Pension Plan was September 15th of each year. The total amount of the Company's contributions were payable in advance for the following twelve month period, and the Company was permitted to deduct from taxable income in the preceding year, the assessment of charges for the 9½ months of the year following. With the integration of the Company's pension plan with the Canada Pension Plan as of January 1, 1966, it was necessary to change the anniversary date to January 1 and the deferred tax advantage became payable on a current basis. This equalled an amount of \$13,278. Furthermore, a portion of the provision for bad debts established by the Company in past years was disallowed for tax purposes by the Income Tax Division for the reason that the bad debt losses did not justify the amount established as a provision. The provision for income tax in 1966 included an amount of \$5,920 to cover this re-assessment. However, in line with the Company's conservative policy, the provision for bad debts remains unchanged on the books of the Company. In effect, this addition to the income tax provision represents tax deferred from previous years and will not occur again.

The sale of the Bay Street, Toronto, premises to the Ford Motor Company of Canada Ltd. was completed in August 1966 for a cash sum of \$550,000. After deduction of realty and legal fees, the net capital profit to surplus account was \$232,848. In this regard, a provisional amount of \$52,442 has been added to the liabilities of the Company against the recapture of the depreciation taken on the building as income tax payable in future years. The funds realized from this transaction have been used to retire the outstanding debentures of the Company of \$71,000 and the reduction in the current bank loans.

The realization of \$110,000 against a cash surrender value of \$70,476 shown on the books of the Company as Life Insurance adds an amount of \$39,524 to the Company's Surplus Account.

## COMPARATIVE PROFIT & LOSS STATISTICS:

YEAR ENDED	OPERATING PROFITS	PROVISION FOR DEPRECIATION	INCOME TAXES	NET PROFIT
December 31, 1966	\$453,477	\$76,366	\$208,818	\$168,293
December 31, 1965	\$383,987	\$79,397	\$143,766	\$160,794

## DIVIDENDS:

Dividends totalling 25 cents per share were paid on the issued and outstanding shares.

Disposition of Income and Comparison with previous year:

For each \$100.00 of sales:

	1966	1965
Paid for Merchandise, Technical Service and other operating costs - - - -	\$ 96.61	\$ 97.15
Operating Profit - - - - -	3.39	2.85
	<u>\$100.00</u>	<u>\$100.00</u>
Operating Profit - - - - -	3.39%	2.85%
Income Taxes - - - - -	1.88%	1.34%
	<u>1.51%</u>	<u>1.51%</u>
Dividends to Shareholders - - - - -	.89%	.92%
Earnings Re-invested in the business - - - - -	.62%	.59%
	<u>1.51%</u>	<u>1.51%</u>

## CONSOLIDATED BALANCE SHEET FEATURES:

Accounts Receivable were higher than last year, reflecting higher sales volume. Adequate reserves have been provided, but bad debt losses were negligible in 1966.

## INVENTORIES:

Merchandise inventories increased \$62,399 but reflect the same rate of turnover as the previous year.

## PROPERTY, PLANT & EQUIPMENT:

The following is a consolidated statement of your Company's Fixed Assets:

Land - - - - -	\$197,730
Buildings - - - - -	\$517,177
Less Accumulated Depreciation - - - - -	<u>160,198</u>
Leasehold Improvement less amortization - - - - -	43,518
Equipment, Tools, Furniture, Automobiles and Trucks - - - - -	711,811
Less Accumulated Depreciation - - - - -	<u>489,133</u>
Total - - - - -	<u>\$820,905</u>

Net Capital Expenditures were \$109,573

Working Capital increased by \$474,769 during 1966:



## COMPARATIVE EARNINGS PER SHARE AND NET WORTH:

<u>YEAR</u>	<u>EARNINGS</u>	<u>PER SHARE</u>	<u>WORKING CAPITAL</u>	<u>NET WORTH</u>	<u>SHAREHOLDERS' EQUITY</u>
1965	\$160,794	40¢	\$1,909,310	\$2,795,756	\$6.93
1966	\$168,293	42¢	\$2,384,079	\$3,139,402	\$7.91

The number of shares outstanding at December 31st, 1966 was 397,052

It is with a deep sense of loss that we mourn the passing of Mr. George J. Beattie, the Founder and Chairman of the Board of the Company, on November 29th, 1966. His leadership and guidance over the period of forty-nine years have served the Company well.

Mr. L. P. Chalmers resigned from the board of directors on January 18th, 1967, and your directors elected Mr. Alexander H. Douglas and Mr. Alvin B. Rosenberg, Q.C., both of whom hold substantial personal and beneficial ownership of the shares of the Company, to fill the vacancies. Mr. Douglas has accepted the responsibilities of Chairman of the Board and Chief Executive Officer.

## OUTLOOK FOR 1967:

Your Company's Redistribution Division was recently successful in completing agreements with the Ford Motor Company of Canada for the Canada-wide distribution of Autolite products. Your directors are aware of the ever expanding Automotive Aftermarket and are exploring all means of obtaining a greater share.

We are confident that 1967 will be a progressive year for your company.

## PERSONNEL:

Your Company and its subsidiaries employed an average of 389 persons during 1966. Contributions to the Company Pension Plan, the Canada Pension Plan and Group Insurance were \$49,694.

Your directors wish to record their appreciation of the loyal service rendered by the employees throughout the year.

On Behalf of the Board of Directors.

TORONTO, March 7, 1967

ALEXANDER H. DOUGLAS,  
*Chairman.*

# AUTO ELECTRIC SERVICE COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

## Statement of Consolidated Profit and Loss

For the year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Sales - - - - -	\$11,125,495	\$10,713,236
Cost of sales, technical services and other operating costs - - - - -	10,668,570	10,323,075
Net operating profit before the following deductions - - - - -	456,925	390,161
Interest on debentures - - - - -	3,448	6,174
Provision for depreciation - - - - -	76,366	79,397
	79,814	85,571
Profit before taxes on income - - - - -	377,111	304,590
Provision for taxes on income - - - - -	208,818	143,796
Net profit for the year - - - - -	<u>\$ 168,293</u>	<u>\$ 160,794</u>

Note—Directors' fees paid during the year—\$4,500.

## Statement of Consolidated Earned Surplus

For the year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Balance at credit—beginning of year - - - - -	\$2,728,713	\$2,682,243
Add—		
Net profit for the year - - - - -	168,293	160,794
Profit on sale of Toronto property - - - - -	232,848	—
Life insurance proceeds in excess of cash surrender value - - - - -	39,524	—
	3,169,378	2,843,037
Deduct—		
Dividends for the year—\$.25 per share - - - - -	99,201	99,118
Moving expenses less income tax thereon - - - - -	—	15,206
	99,201	114,324
Balance at credit—end of year - - - - -	<u>\$3,070,177</u>	<u>\$2,728,713</u>



J.B. Beattie's life & 4 other people - asked in

# AUTO ELECTRIC SERVICE COMPANY, LIMITED

(Incorporated under the laws of Ontario)

AND ITS SUBSIDIARY COMPANIES

## ASSETS

### CURRENT

	1966	1965
Cash on hand - - - - -	\$ 2,360	\$ 4,103
Investments in Government of Canada, Provincial and Provincial guaranteed bonds (market value \$25,125) - - - - -	26,413	31,412
Life insurance proceeds receivable - - - - -	110,000	—
Trade and sundry accounts receivable after deducting allowance of \$49,848 (1965—\$42,607) - - - - -	1,202,262	1,079,354
Inventories of merchandise valued at replacement cost after provision for obsolete parts - - - - -	2,400,527	2,338,128
Prepaid expenses - - - - -	4,588	8,372
Life insurance—cash surrender value - - - - -	35,235	97,425
	<u>3,781,385</u>	<u>3,558,794</u>
Special refundable tax - - - - -	6,259	—
Property and Equipment, at cost		
Land - - - - -	197,730	232,342
Leasehold improvements less amortization - - - - -	43,518	—
Buildings - - - - - \$ 517,177		830,265
Equipment and automobiles - - - - - 711,811		720,653
	<u>1,228,988</u>	<u>1,550,918</u>
Less accumulated depreciation - - - - - 649,331		760,887
	<u>579,657</u>	<u>790,031</u>
	<u>820,905</u>	<u>1,022,373</u>
Excess of cost of investment in subsidiaries over net book value - - - - -	75,068	75,068
	<u>\$4,683,617</u>	<u>\$4,656,235</u>

Approved on behalf of the Board

ALEXANDER H. DOUGLAS, *Director*

H. C. BINDLE, *Director*

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Auto Electric Service Company, Limited and its subsidiary companies as at December 31, 1966 and the statements of consolidated profit and loss, earned surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss, earned surplus and source and application of funds present fairly the financial position of the companies as at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. We report that members of our firm or their immediate families own not more than 4% of the issued shares of the Company in the aggregate.

Toronto, Canada, March 6, 1967.

CAMPBELL, LAWLESS & PUNCHARD,  
*Chartered Accountants*



# Consolidated Balance Sheet as at December 31, 1966

(with comparative figures for 1965)

## LIABILITIES

### CURRENT

	1966	1965
Bank advances (secured) - - - - -	\$ 532,715	\$ 927,745
Accounts payable and accrued charges - - - - -	717,417	568,142
Sinking fund payment on debentures - - - - -	—	33,000
Notes and mortgage payments due in 1967 - - - - -	43,625	71,000
Income taxes payable - - - - -	103,549	49,597
	<u>1,397,306</u>	<u>1,649,484</u>

### LONG-TERM DEBT

Mortgage payable in instalments 1968 to 1973 inclusive - - - - -	35,000	40,000
Notes payable in instalments 1968-1969 inclusive - - - - -	25,000	63,626
5½% 15-year Sinking Fund Debentures due April 1, 1968 - - - - -	—	71,000
	<u>60,000</u>	<u>174,626</u>
Accumulated tax reductions applicable to future years - - - - -	86,909	36,369

### CAPITAL STOCK AND SURPLUS

Capital Stock (Note 1)		
Authorized		
—1,000,000 shares without par value		
Issued and outstanding		
—397,052 shares (1965—396,552 shares) - - - - -	69,225	67,043
Earned surplus - - - - -	3,070,177	2,728,713
	<u>3,139,402</u>	<u>2,795,756</u>
	<u>\$4,683,617</u>	<u>\$4,656,235</u>

### NOTES:

- The Company had in force during the year a share option plan for officers and key employees of the Company and its subsidiaries. Pursuant to options granted under the plan 500 shares without par value were taken up during the year for cash in the aggregate amount of \$2,182 and as a result of the termination of employment of certain employees options on 290 shares expired during the year. At the end of the year the position under the plan was that:
  - options to purchase 10,130 shares without par value at \$4.36½ per share exercisable up to June 4, 1968 and an option to purchase 5,000 shares without par value at \$4.41 per share exercisable up to June 17, 1968 were outstanding; and
  - options to purchase an additional 3,000 shares without par value might be granted up to March 8, 1968.
- The Company has a 25-year lease which expires December 31, 1990 on a property at 1000 Lawrence Avenue West, Toronto, under which the rental amounts to \$50,400 per annum.

# AUTO ELECTRIC SERVICE COMPANY, LIMITED

## Source and Application of Funds

Year to December 31, 1966

	1966	1965
Working capital at beginning of year - - - - -	\$1,909,310	\$2,002,790
Source of Funds		
From operations		
Net profit for the year - - - - -	168,293	160,794
Depreciation and amortization - - - - -	76,366	79,397
Increase (decrease) in deferred income taxes - - - - -	( 1,902)	2,507
Total from operations - - - - -	242,757	242,698
From sale of stock under the share option plan - - - - -	2,182	873
Assets acquired in excess of purchase cost - - - - -	—	10,680
Proceeds on sale of Toronto property - - - - - (of which \$52,442 was transferred to deferred income taxes)	519,965	—
Life insurance proceeds in excess of cash surrender value - - - - -	39,524	—
Total source of funds - - - - -	804,428	254,251
Application of Funds		
Additions to equipment and automobiles (net) - - - - -	109,573	129,407
Dividends paid - - - - -	99,201	99,118
Repayment on debentures - - - - -	71,000	33,000
Reduction in long-term notes and mortgage payable - - - - -	43,626	71,000
Net moving expense - - - - -	—	15,206
Special refundable tax - - - - -	6,259	—
Total application of funds - - - - -	329,659	347,731
Net increase (decrease) in working capital - - - - -	474,769	( 93,480)
Working capital at end of year - - - - -	<u>\$2,384,079</u>	<u>\$1,909,310</u>



# AUTO ELECTRIC SERVICE COMPANY, LIMITED

## AND ITS SUBSIDIARY COMPANIES

### *Central Service Distributors for:*

BARCAP INCORPORATED	- - - - -	Cleveland, Ohio, U.S.A.
BENDIX-ECLIPSE OF CANADA, LIMITED	- - - - -	Windsor, Ont., Canada
BRIGGS & STRATTON CORPORATION	- - - - -	Milwaukee, Wis., U.S.A.
CANADIAN CURTISS WRIGHT LIMITED	- - - - -	Toronto, Ont., Canada
CANADIAN SHALER PRODUCTS LIMITED	- - - - -	Toronto, Ont., Canada
CARTER CARBURETOR DIVISION OF ACF		
INDUSTRIES INC.	- - - - -	St. Louis, Mo., U.S.A.
CHRYSLER OUTBOARD CORP.	- - - - -	Hartford, Wis., U.S.A.
CLINTON ENGINES CORP.	- - - - -	Maquoketa, Iowa, U.S.A.
CONTROLS COMPANY OF CANADA LIMITED	- - - - -	Cooksville, Ont., Canada
DOMINION ELECTROHOME INDUSTRIES LIMITED		
MOTOR AND METAL PRODUCTS DIVISION	- - - - -	Kitchener, Ont., Canada
FAIRBANKS, MORSE INC.	- - - - -	Beloit, Wis., U.S.A.
LESLIE HARTRIDGE (CANADA) LIMITED	- - - - -	Toronto, Ont., Canada
KING-SEELEY DIVISION OF		
KING-SEELEY THERMOS CO.	- - - - -	Ann Arbor, Mich., U.S.A.
JOSEPH LUCAS LIMITED	- - - - -	Birmingham, England
MARVEL-SCHUEBLER PRODUCTS DIVISION		
BORG-WARNER CORPORATION	- - - - -	Decatur, Ill., U.S.A.
MOTOROLA AUTOMOTIVE PRODUCTS INC.	- - - - -	Franklin Park, Ill., U.S.A.
THE PRESTOLITE COMPANY		
DIV. OF ELTRA OF CANADA LIMITED	- - - - -	Sarnia, Ont., Canada
PUROLATOR PRODUCTS (CANADA) LIMITED	- - - - -	Toronto, Ont., Canada
SLICK ELECTRO INC.	- - - - -	Rockford, Ill., U.S.A.
TRICO PRODUCTS CORPORATION	- - - - -	Buffalo, N.Y., U.S.A.
TUNG-SOL INTERNATIONAL CORP.	- - - - -	Bramalea, Ont., Canada
WALBRO CORPORATION	- - - - -	Cass City, Mich., U.S.A.
THE WEATHERHEAD COMPANY OF CANADA LIMITED	- - - - -	Toronto, Ont., Canada
WICO ELECTRIC COMPANY	- - - - -	West Springfield, Mass., U.S.A.

### *Service Distributors for:*

ROBERT BOSCH (CANADA) LIMITED	- - - - -	Toronto, Ont., Canada
CANADIAN ACME SERVICE PARTS	- - - - -	Toronto, Ont., Canada
CANADIAN GENERAL ELECTRIC COMPANY LIMITED	- - - - -	Toronto, Ont., Canada
CHICAGO RAWHIDE PRODUCTS (CANADA) LIMITED	- - - - -	Brantford, Ont., Canada
B. F. GOODRICH CANADA LIMITED	- - - - -	Kitchener, Ont., Canada
HOLLEY CARBURETOR CO.	- - - - -	Warren, Mich., U.S.A.
KOHLER COMPANY	- - - - -	Kohler, Wis., U.S.A.
LAUSON-POWER PRODUCTS—		
DIVISION OF TECUMSEH PRODUCTS COMPANY	- - - - -	Grafton, Wis., U.S.A.
LEECE-NEVILLE COMPANY	- - - - -	Cleveland, Ohio, U.S.A.
JOSEPH LUCAS (CANADA) LIMITED	} - - - - -	Toronto, Ont., Canada
CAV LIMITED		
MINTEX FEDERAL LIMITED	- - - - -	Toronto, Ont., Canada
OUTBOARD MARINE CORPORATION OF CANADA LTD.	- - - - -	Peterborough, Ont., Canada
QUAKER STATE OIL REFINING CO. OF CANADA LTD.	- - - - -	Toronto, Ont., Canada
S. SMITH & SONS (CANADA) LIMITED	- - - - -	Toronto, Ont., Canada
TILLOTSON MANUFACTURING COMPANY	- - - - -	Toledo, Ohio, U.S.A.
UNITED MOTORS SERVICE—A. C. DIVISION,		
GENERAL MOTORS PRODUCTS OF CANADA, LTD.	- - - - -	Oshawa, Ont., Canada
WAGNER BRAKE COMPANY LIMITED	- - - - -	Weston, Ont., Canada

### *Service Agents for: and others.*

ASSOCIATED ELECTRICAL INDUSTRIES		
(CANADA) LTD.	- - - - -	Toronto, Ont., Canada



A NATIONAL SALES AND SERVICE ORGANIZATION SERVING THE AUTOMOTIVE, MARINE, FARM AND INDUSTRIAL TRADE ACROSS CANADA THROUGH ITS WIDESPREAD SUBSIDIARIES AND BRANCHES